

# REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS AUDIT EXAMINATION OF THE BOYLE COUNTY SHERIFF

Calendar Year 1999

# EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS WWW.KYAUDITOR.NET

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#### **EXECUTIVE SUMMARY**

## BOYLE COUNTY KARL LUTTRELL, SHERIFF CALENDAR YEAR 1999 FEE AUDIT

An unqualified opinion was rendered on the financial statements. There was one area of noncompliance. On December 31, 1999, \$120,275 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured.

#### Excess Fees:

The Sheriff's Settlement of excess fees was presented and accepted by the fiscal court on March 14, 2000, subject to state audit. A check was presented at that time for \$133,439. An additional \$68 of excess fees are due because the Sheriff's salary was calculated incorrectly.

#### **Grants:**

The office received \$16,824 in KLEFPF money from the state for deputy incentive pay.

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# Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Tony Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court

#### Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Boyle County Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, <u>Government Auditing Standards</u> issued by the Comptroller General of the United States, and the <u>Audit Guide for County Fee Officials</u> issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

• The Sheriff Should Require Depository Institutions to Pledge or Provide Sufficient Collateral To Protect Deposits

In accordance with <u>Government Auditing Standards</u>, we have also issued a report dated September 8, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed -September 8, 2000

# BOYLE COUNTY KARL LUTTRELL, SHERIFF STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

## Calendar Year 1999

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State Grant - KLEFPF		\$ 16,824
State Fees For Services: Finance and Administration Cabinet Cabinet For Human Resources Conveying Convicts Sequestered Jurors	\$ 19,130 120 1,890 172	21,312
Circuit Court Clerk: Sheriff Security Service Fines and Fees Collected	\$ 16,953 11,545	28,498
Fiscal Court		2,441
County Clerk - Delinquent Taxes		2,121
Commission On Taxes Collected		317,049
Fees Collected For Services: Auto Inspections Accident and Police Reports Serving Papers	\$ 4,895 198 19,477	24,570
Other: Sheriff's Advertising Fees Tax Penalty Fees Mileage Fees Carrying Concealed Deadly Weapon Permits		3,176 34,690 163 8,560
Interest Earned		19,905
Borrowed Money: State Advancement		140,181
Gross Receipts (Carried Forward)		\$ 619,490

# BOYLE COUNTY KARL LUTTRELL, SHERIFF STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES Calendar Year 1999 (Continued)

Gross Receipts (Brought Forward)		\$	619,490
<u>Disbursements</u>			
Operating Disbursements and Capital Outlay:			
Personnel Services-			
Deputies' Gross Salaries	\$ 223,090		
Other KLEFPF Pay	15,060		
Contracted Services-	10,000		
Advertising	4,322		
Utilities	1,055		
Vehicle Maintenance and Repairs	681		
Materials and Supplies-	001		
Office Materials and Supplies	3,097		
Uniforms	4,675		
	4,073		
Auto Expense- Gasoline	10.670		
	10,670		
Other Charges-	520		
Conventions and Travel	530		
Dues	800		
Postage	1,066		
Sheriff's Camp	100		
Radio Maintenance	411		
Sequestered Jury	172		
Internet Services	180		
Training	171		
Carrying Concealed Deadly Weapon Permits	3,285		
Overpayment of Carrying Concealed Deadly Weapon Permits	1,765		
Miscellaneous	65		
Capital Outlay-			
Office Equipment	2,022		
Office Equipment	2,022		
Debt Service:			
State Advancement	140,181		
Interest	 10,694		
Total Disbursements			424,092
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Net Receipts		\$	195,398
Less: Statutory Maximum			61,891
Evenes Food		\$	122 507
Excess Fees  Payments to County Tracsurer Morch 14, 2000		Ф	133,507
Payments to County Treasurer - March 14, 2000			133,439

The accompanying notes are an integral part of the financial statement.

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Balance Due at Completion of Audit

### BOYLE COUNTY NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

#### A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

#### B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

#### C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

#### Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

BOYLE COUNTY NOTES TO FINANCIAL STATEMENT December 31, 1999 (Continued)

#### Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

#### Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 31, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$120,275 of public funds uninsured and unsecured.

# COMMENT AND RECOMMENDATION

## BOYLE COUNTY KARL LUTTRELL, COUNTY SHERIFF COMMENT AND RECOMMENDATION

Calendar Year 1999

#### **STATE LAWS AND REGULATIONS:**

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On December 31, 1999, \$120,275 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Another bank will be used for fees.

**INTERNAL CONTROL - REPORTABLE CONDITIONS:** 

None.

**INTERNAL CONTROL - MATERIAL WEAKNESSES:** 

None.

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# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Honorable Tony Wilder, Boyle County Judge/Executive Honorable Karl Luttrell, Boyle County Sheriff Members of the Boyle County Fiscal Court

> Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Boyle County Sheriff as of December 31, 1999, and have issued our report thereon dated September 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Boyle County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under <u>Government Auditing Standards</u>.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Tony Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Boyle County Sheriff
Members of the Boyle County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed - September 8, 2000